

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1469 – HB 1543

March 6, 2009

SUMMARY OF BILL: Authorizes job tax credits of \$4,500 for each net new full-time employee job created for certain qualified business enterprises located in certain enterprise zones. Such job tax credits shall only be granted after approval by both the Commissioner of Economic and Community Development (ECD) and the Commissioner of Revenue and shall not be subject to judicial review. Such approved job tax credits may be used against a taxpayer's franchise and excise tax liability.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Exceeds \$22,500

Forgone State Revenue – Exceeds \$45,000

Assumptions:

- Based on information provided by ECD, any increase to state expenditures as a result of the Commissioner granting approval is considered not significant.
- Enterprise zone means an area declared by the local enterprise zone management board, appointed by the respective municipality, to be eligible for the benefits of the Local Enterprise Zone Act.
- The fiscal impact of this bill is dependent upon on multiple unknown factors such as the number of business enterprises that would be qualified, the extent of each qualified business enterprise's franchise and excise tax liability, the number of net new full-time jobs which would be created, whether or not such qualified business enterprises would reside in enterprise zones in the absence of this legislation, and whether or not the Commissioners would approve such job tax credits. As a result of these many unknown factors, determining a precise fiscal estimate for this bill is difficult.
- It is reasonable to assume that some existing franchise and excise taxpayers would become eligible for job tax credits if they are currently located in an enterprise zone and decide to employ more people as a result of this bill. Therefore, the number of net new full-time jobs

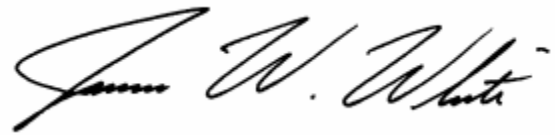
SB 1469 – HB 1543

created by existing franchise and excise taxpayers is conservatively estimated to be at least five per year. As a result, the decrease to state revenue is estimated to exceed \$22,500 per year ($5 \times \$4,500 = \$22,500$). This assumes approval by both Commissioners.

- It is also reasonable to assume that some business enterprises, who are not current franchise and excise taxpayers, will locate to enterprise zones as a result of this bill. The number of net new full-time jobs that will be created by future taxpayers as a result of this bill is conservatively estimated to be at least 10 per year. As a result, forgone state revenue is estimated to exceed \$45,000 per year ($10 \times \$4,500 = \$45,000$).

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/rnc